

*section* **2**



# Medicare Overview

Use this section to  
learn the basics of  
Medicare.



## Section 2: Medicare Overview

Words in green are defined on pages 88–91.

Before you decide whether or not to buy a Medigap policy, there are a few things you should know about Medicare and Medicare health plans. The next few pages give you a quick look at Medicare and how Medicare health plans work with Medigap policies.

If you already know the basics about Medicare and Medicare health plans, turn to Section 3 “What You Need to Know About Medigap Policies,” which starts on page 11.

If you want to learn more about the new Medicare prescription drug plans and how they affect Medigap policies, read Section 4 “Prescription Drug Coverage Overview,” which starts on page 37.

### What is Medicare?

Medicare is a health insurance program for

- people age 65 or older,
- people under age 65 with certain disabilities, and
- people of all ages with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant).

Medicare has

- Medicare Part A (Hospital Insurance),
- Medicare Part B (Medical Insurance), and
- Medicare prescription drug coverage.

Starting November 15, 2005, you can enroll in a Medicare prescription drug plan. Medicare prescription drug plans will begin coverage on January 1, 2006. For information about Medicare prescription drug plans, see page 37.

### What is Medicare Part A?

Medicare Part A helps cover your inpatient care in hospitals, including critical access hospitals, and skilled nursing facilities (not custodial or long-term care) when they are medically necessary.

### What is Medicare Part B?

Medicare Part B helps cover your doctors’ services and outpatient care. It also covers some other medical services that Part A doesn’t cover. These services are covered when they are medically necessary.

## Section 2: Medicare Overview

### What are Medicare Health Plans?

Medicare health plans provide different ways to get your health care coverage in the Medicare Program. Your Medicare health plan choices include the following:

- The Original Medicare Plan—Available nationwide. If you have this plan, you may want to buy a Medigap policy.
- Medicare Advantage Plans—Available in many areas. If you have one of these plans, you don't need a Medigap policy. Medicare Advantage Plans include
  - Medicare Managed Care Plans (like HMOs)
  - Medicare Preferred Provider Organization Plans (PPO)
  - Medicare Private Fee-for-Service Plans (PFFS)
  - Medicare Special Needs Plans

**Note:** Medigap policies **aren't** Medicare Advantage Plans.

The Medicare health plan that you choose affects many things like cost, benefits, doctor choice, convenience, and quality. No matter how you choose to get your health care, you are still in the Medicare Program.

### Original Medicare Plan and Medigap policies at a glance

If you get your health care from the Original Medicare Plan, you use your red, white, and blue Medicare card (see sample card on page 27) which tells you if you have Medicare Part A, Part B, or both. You don't need Medicare Part B to be in the Original Medicare Plan. However, you generally must have Medicare Part A **and** Part B to buy a Medigap policy.

The Original Medicare Plan pays for many health care services and supplies, but it doesn't pay **all** of your health care costs. There are costs that **you must** pay, like coinsurance, copayments, and deductibles. These costs are called "gaps" in Medicare coverage.

## Section 2: Medicare Overview

### Original Medicare Plan and Medigap policies at a glance (continued)

You might want to consider buying a Medigap policy to cover these gaps in Medicare coverage. Some Medigap policies also cover benefits that Medicare doesn't cover, like Medicare Part B excess charges and emergency health care while traveling outside the U.S. A Medigap policy may help you save on out-of-pocket costs. If you buy a Medigap policy, you will also have to pay a monthly premium to the private insurance company that sells you the policy.

Medigap policies only help pay health care costs if you are in the Original Medicare Plan. To learn what Medigap policies cover, see pages 43–48.

### Medicare Advantage Plans at a glance

If you decide to join a Medicare Advantage Plan, you will still have a Medicare card, but you need to use the membership card that you get from the plan for your health care. These plans often give you extra benefits, like coverage for extra days in the hospital, than the Original Medicare Plan.

**Note:** If you have End-Stage Renal Disease, you usually can't join a Medicare Advantage Plan.

If Medicare Advantage Plans are available in your area, and you have Medicare Part A and Part B, you can join one and get your Medicare-covered benefits through the plan. You will have to pay the monthly Medicare Part B premium (\$78.20 in 2005). In addition, you might have to pay a monthly premium to your Medicare Advantage Plan for the extra benefits that they offer. You should call the Medicare Advantage Plans for more information.

If you are in a Medicare Advantage Plan, you don't need a Medigap policy, because Medicare Advantage Plans generally cover many of the same benefits that a Medigap policy would cover. Medigap policies won't work with Medicare Advantage Plans.

**Note:** If you have a Medigap policy and you join a Medicare Advantage Plan, you may want to drop your Medigap policy. Even though you are entitled to keep it, it can't pay for benefits that you get under your Medicare Advantage Plan. However, if you drop your Medigap policy, and you later leave the Medicare Advantage Plan, you may not be able to buy a policy with the same benefits.

### Where can I get more information?

Get a free copy of the "Medicare & You" handbook (CMS Pub. No. 10050) or "Your Medicare Benefits" (CMS Pub. No. 10116) at [www.medicare.gov](http://www.medicare.gov) on the web. Select "Search Tools" at the top of the page. You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.



*section* **3**



# **What You Need to Know About Medigap Policies**

This section includes information about what Medigap policies are, what they cover and don't cover, cost information, the best time to buy and more.



## Section 3: What You Need to Know About Medigap Policies

### What is a Medigap policy?

A Medigap policy is health insurance sold by private insurance companies to fill the “gaps” in Original Medicare Plan coverage. Medigap policies help pay some of the health care costs that the Original Medicare Plan doesn’t cover. If you are in the Original Medicare Plan and have a Medigap policy, then Medicare and your Medigap policy will each pay its share of covered health care costs.

If you live in **Massachusetts, Minnesota, or Wisconsin**, different types of standardized Medigap policies are sold in your state (see pages 80–82).

Insurance companies can only sell you a “standardized” Medigap policy. These Medigap policies are standardized so you can compare them easily.

Since 1992, there have been 10 standardized Medigap policies called Plans “A” through “J.” In 2005, there will be two new standardized Medigap policies available, called Plans “K” and “L.” You may be able to choose from up to 12 different standardized Medigap policies (Plans A through L).

Medigap policies must follow Federal and state laws. These laws protect you. The front of a Medigap policy must clearly identify it as “Medicare Supplement Insurance.” **Each Plan, A through L, has a different set of basic and extra benefits** (see pages 18–21).

It’s important to compare Medigap policies, because costs can vary. The standardized Medigap policies that insurance companies offer must provide the same benefits. Generally, the only difference between Medigap policies sold by different insurance companies might be the cost. Also, insurance companies that sell Medigap policies don’t have to offer every Medigap plan (A through L). Each insurance company decides which Medigap policies they want to sell.



## Section 3: What You Need to Know About Medigap Policies

### What is a Medigap policy? (continued)

Generally, when you buy a Medigap policy you must have Medicare Part A and Part B. You will have to pay the monthly Medicare Part B premium (\$78.20 in 2005). In addition, you will have to pay a premium to the Medigap insurance company. As long as you pay your premium, your Medigap policy is guaranteed renewable. This means it is automatically renewed each year. Your coverage will continue year after year as long as you pay your premium.

Words in green are defined on pages 88–91.

You and your spouse must buy separate Medigap policies.  
**Your Medigap policy won't cover any health care costs for your spouse.**

**Important:** In some states, insurance companies may refuse to renew a Medigap policy bought before 1990. At the time these Medigap policies were sold, state law might not have required that Medigap policies be guaranteed renewable.

It is illegal for anyone to sell you a Medigap policy if

- you are in a Medicare Advantage Plan (like an HMO, PPO, or PFFS).
- you have Medicaid. There are certain exceptions (see page 75).
- you already have a Medigap policy (unless you are cancelling your old Medigap policy).

## Section 3: What You Need to Know About Medigap Policies

### **What are some examples of coverage that are NOT a Medigap policy?**

A Medigap policy is different from

- a Medicare Advantage Plan,
- Medicare Part B,
- a Medicare prescription drug plan,
- Medicaid,
- TRICARE, and
- Veterans' benefits.

### **Why would I want to buy a Medigap policy?**

You may want to buy a Medigap policy because Medicare doesn't pay for all of your health care. There are "gaps" or "out-of-pocket" costs that you must pay in the Original Medicare Plan. The chart on the next page gives some examples of these gaps. A Medigap policy will cover some, but not all of the gaps in the Original Medicare Plan.

If you are in the Original Medicare Plan, a Medigap policy might help you

- lower your out-of-pocket costs, and
- get more health insurance coverage.



## Section 3: What You Need to Know About Medigap Policies

<b>Some Examples of Gaps in Medicare-covered Services</b>		
	<b>What YOU Pay in 2005 (These amounts can change each year.)</b>	<b>A Medigap policy may help pay these costs</b>
<b>Hospital Stays</b>	<b>For each benefit period, YOU PAY</b> <ul style="list-style-type: none"> <li>• \$912 for the first 60 days</li> <li>• \$228 per day for days 61–90</li> <li>• \$456 per day for days 91–150</li> </ul>	✓
<b>Skilled Nursing Facility Stays</b>	<b>For each benefit period, YOU PAY</b> <ul style="list-style-type: none"> <li>• Nothing for the first 20 days</li> <li>• Up to \$114 per day for days 21–100</li> </ul>	✓
<b>Blood</b>	<b>YOU PAY</b> the cost of the first three pints.	✓
<b>Medicare Part B Yearly Deductible</b>	<b>YOU PAY</b> the \$110 per year deductible.	✓
<b>Medicare Part B Covered Services</b>	<b>YOU PAY</b> <ul style="list-style-type: none"> <li>• 20% of the Medicare-approved amount for most covered services</li> <li>• 50% of the Medicare-approved amount for outpatient mental health treatment*</li> <li>• Copayment for outpatient hospital services</li> </ul>	✓

\* Medigap Plans A through J must pay 50% coinsurance for outpatient mental health treatment services. This percentage is different for Medigap Plans K and L.

Some Medigap policies also cover other extra benefits that aren't covered by Medicare. Some examples of these benefits include

- routine yearly check-ups (Beginning in 2005, Medicare covers a one-time "Welcome to Medicare" physical exam within the first six months of having Medicare Part B.),
- Medicare Part B excess charges (the difference between your doctor's charge and the Medicare-approved amount) that only apply if your doctor doesn't accept assignment,
- And more (see pages 20–21).

## Section 3: What You Need to Know About Medigap Policies

### Who can buy a Medigap policy?

To buy a Medigap policy, you generally must have Medicare Part A and Part B. You are guaranteed the right to buy a Medigap policy if you are

- in your Medigap open enrollment period (see page 26), or
- covered under a Medigap protection (see pages 54–63).

You might not be able to buy a Medigap policy if you

- are in a Medicare Advantage Plan (like an HMO, PPO, or PFFS).
- have Medicaid.
- already have a Medigap policy (unless you are cancelling your old Medigap policy).
- are under age 65 and you are disabled or have End-Stage Renal Disease (ESRD).

If you are under age 65, you might not be able to buy a Medigap policy until you turn age 65. More information about Medigap policies for people under age 65 starts on page 65.

### Can I keep seeing the same doctor if I buy a Medigap policy?

In most cases, yes. If you are in the Original Medicare Plan and you have a Medigap policy, you can go to any doctor, hospital, or other health care provider who accepts Medicare. However, if you have the type of Medigap policy called Medicare SELECT, you must use specific hospitals and, in some cases, specific doctors to get your full insurance benefits.

### What is Medicare SELECT?

Medicare SELECT is a type of Medigap policy sold in some states. If you buy a Medicare SELECT policy, you are buying one of the 12 standardized Medigap Plans A through L. With a Medicare SELECT policy, you must use specific hospitals and, in some cases, specific doctors to get full insurance benefits (except in an emergency). For this reason, **Medicare SELECT policies generally cost less than other Medigap policies.**

### What are some examples of things that are NOT covered by Medigap policies?

- Long-term care,
- Vision or dental care,
- Hearing aids, or
- Private-duty nursing.



## Section 3: What You Need to Know About Medigap Policies

### How do Medigap Plans A through J differ from Medigap Plans K and L?

Medigap Plans A through J offer different benefits than Medigap Plans K and L and cost more because they provide more benefits and have lower out-of-pocket costs. Listed below is a quick look at how Medigap Plans A through J differ from Plans K and L.

Comparing Medigap Policies		
	Medigap Plans A through J	Medigap Plans K and L
<b>Premiums</b>	Higher premiums	Lower premiums
<b>Out-of-pocket costs</b>	Lower (or no) out-of-pocket costs	Higher out-of-pocket costs, but subject to out-of-pocket annual limits (see page 19)
<b>Basic Benefits</b>	<p>Includes</p> <ul style="list-style-type: none"> <li>• Medicare Part A coinsurance and hospital benefits</li> <li>• Medicare Part B coinsurance or copayment</li> <li>• Blood</li> </ul> <p>See page 18 for details about these basic benefits.</p>	<p>Includes</p> <ul style="list-style-type: none"> <li>• Medicare Part A coinsurance and hospital benefits</li> <li>• Medicare Part B coinsurance or copayment</li> <li>• Blood</li> <li>• Hospice care</li> </ul> <p>See page 19 for details about these basic benefits.</p>
<b>Extra Benefits</b>	<p>May include</p> <ul style="list-style-type: none"> <li>• Skilled Nursing Facility Coinsurance</li> <li>• Medicare Part A and B deductibles</li> <li>• Part B Excess Charges</li> <li>• Foreign Travel Emergency</li> <li>• At-Home Recovery</li> <li>• Drug Coverage (until January 1, 2006)</li> <li>• Preventive Care</li> </ul> <p>See page 20 for details about these extra benefits.</p>	<p>May include</p> <ul style="list-style-type: none"> <li>• Skilled Nursing Facility Coinsurance</li> <li>• Medicare Part A Deductible</li> </ul> <p>See page 21 for details about these extra benefits.</p>

On the next four pages, you will see four different charts. These charts are side-by-side to help you compare the different types of benefits that each Medigap policy offers. The charts on pages 18–19 will help you compare the different **basic** benefits for Medigap Plans A through J with Medigap Plans K and L. See pages 20–21 to compare the different **extra** benefits for Medigap Plans A through J with Medigap Plans K and L.

## Section 3: What You Need to Know About Medigap Policies

### What do Medigap policies cover?

**If you live in Massachusetts, Minnesota, or Wisconsin, see pages 80–82.**

Each standardized Medigap policy **must** cover basic benefits. Medigap Plans A through J have one set of basic benefits, and Plans K and L have a different set of basic benefits (see the basic benefits charts below for Plans A through J and page 19 for Plans K and L). Most Medigap policies pay some, if not all, of the Original Medicare Plan coinsurance and outpatient copayment amounts. These policies may also cover Original Medicare Plan deductibles. Some Medigap policies cover extra benefits to help pay for things Medicare doesn't cover (see the extra benefits charts on page 20 for Plans B through J and page 21 for Plans K and L).

**Note:** Medigap Plans F and J have a high-deductible option (see page 24). If you choose this option, you must pay the deductible first before the Medigap policy pays anything.

A Quick Look at the Basic Benefits for Medigap Plans A through J	
Basic benefit	What Medigap Plans A through J pay in 2005 (These amounts can change each year.)
<b>Medicare Part A coinsurance and hospital benefits</b>	<b>Plans A through J pay</b> <ul style="list-style-type: none"> <li>• \$228 per day for days 61–90 of a hospital stay</li> <li>• \$456 per day for days 91–150 of a hospital stay</li> <li>• Up to 365 more days for hospital stays during your lifetime after you use all Medicare hospital benefits</li> </ul>
<b>Medicare Part B coinsurance or copayment</b>	<b>Plans A through J pay</b> all coinsurance and copayment amounts after you meet the Part B \$110 yearly deductible.
<b>Blood</b>	<b>Plans A through J pay</b> for the first three pints of blood or equal amounts of packed red blood cells per calendar year, unless you or someone else donates blood to replace what you use.

See pages 20, 43, and 46–47 for more information about Medigap Plans A through J.



## Section 3: What You Need to Know About Medigap Policies

<b>A Quick Look at the Basic Benefits for Medigap Plans K and L</b>	
<b>Basic benefit</b>	<b>What Medigap Plans K and L pay in 2005 (These amounts can change each year.)</b>
<b>Medicare Part A coinsurance and hospital benefits</b>	<b>Plan K and Plan L pay</b> <ul style="list-style-type: none"> <li>• \$228 per day for days 61–90 of a hospital stay</li> <li>• \$456 per day for days 91–150 of a hospital stay</li> <li>• Up to 365 more days of a hospital stay during your lifetime after you use all Medicare hospital benefits</li> </ul>
<b>Medicare Part B coinsurance or copayment</b>	<b>Plan K pays</b> 50% Part B coinsurance after you meet the Part B \$110 yearly deductible. It pays 100% coinsurance for Part B preventive services. <b>Plan L pays</b> 75% Part B coinsurance after you meet the Part B \$110 yearly deductible. It pays 100% coinsurance for Part B preventive services.
<b>Blood</b>	<b>Plan K pays</b> 50% of the first three pints of blood or equal amounts of packed red blood cells per calendar year, unless you or someone else donates blood to replace what you use. <b>Plan L pays</b> 75% of the first three pints of blood or equal amounts of packed red blood cells per calendar year, unless you or someone else donates blood to replace what you use.
<b>Hospice care</b>	<b>Plan K pays</b> 50% hospice cost-sharing for all Part A Medicare covered expenses and respite care. <b>Plan L pays</b> 75% hospice cost-sharing for all Part A Medicare covered expenses and respite care.

**Note:** Plan K has a \$4,000 out-of-pocket annual limit. Plan L has a \$2,000 out-of-pocket annual limit. Once you meet the annual limit, the plan pays 100% of the Medicare Part A and Part B copayments and coinsurance for the rest of the calendar year. Charges from your doctor that exceed Medicare-approved amounts, called “excess charges” aren’t covered and don’t count toward the out-of-pocket limit. **You will have to pay these excess charges.** The out-of-pocket annual limit can increase each year because of inflation.

See pages 21, 44–45, and 48 for more information about Medigap Plans K and L.

## Overview of Medigap Plans A through J

Medigap policies (including Medicare SELECT) can only be sold as standardized plans. This chart gives you a quick look at the Medigap Plans A through J and their benefits. Medigap Plans A through J must cover the basic benefits listed on **page 18**. Read down to find out what benefits are in each plan. This chart doesn't apply if you live in Massachusetts, Minnesota, or Wisconsin; see **pages 80–82**. If you need more information, call your State Insurance Department or State Health Insurance Assistance Program (see **pages 85–86**).

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F*</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J*</b>
Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits	Basic Benefits
		Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance	Skilled Nursing Facility Coinsurance
	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible	Medicare Part A Deductible
		Medicare Part B Deductible			Medicare Part B Deductible				Medicare Part B Deductible
					Medicare Part B Excess Charges (100%)	Medicare Part B Excess Charges (80%)		Medicare Part B Excess Charges (100%)	Medicare Part B Excess Charges (100%)
		Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency	Foreign Travel Emergency
			At-Home Recovery			At-Home Recovery		At-Home Recovery	At-Home Recovery
							Basic Drug Benefit (\$1,250 Limit)**	Basic Drug Benefit (\$1,250 Limit)**	Extended Drug Benefit (\$3,000 Limit)**
				Preventive Care ***					Preventive Care ***

### Important Notes

- For details about the Medigap policy extra benefits listed in the chart (Skilled Nursing Facility Coinsurance, Medicare Part A and Part B Deductible, Medicare Part B Excess Charges, Foreign Travel Emergency, At-Home Recovery, Prescription Drug Benefits, and Preventive Care), see **pages 46–47**.
- \* Medigap Plans F and J also have a high-deductible option, see **page 24**.
- \*\* Starting January 1, 2006, you won't be able to buy Medigap policies covering prescription drugs. However, if you buy a policy with prescription drug coverage before January 1, 2006, you will have to decide if you want to keep this coverage. For more information about prescription drug coverage, see **pages 37–40**.
- \*\*\* Medigap policies cover some preventive care that isn't covered by Medicare, see **page 47**.



## Overview of Medigap Plans K and L

In 2005, you might be able to buy Medigap Plans K and L (also can be sold as Medicare SELECT) from a Medigap insurance company. These new Medigap policies can be sold only as standardized plans. This chart gives you a quick look at the Medigap Plans K and L and their benefits. Medigap Plans K and L must cover the basic benefits listed on **page 19**. The basic benefits for Medigap Plans K and L are different from the basic benefits offered in Medigap Plans A through J. Read down to find out what benefits are in each plan. This chart doesn't apply if you live in Massachusetts, Minnesota, or Wisconsin; see **pages 80–82**. If you need more information, call your State Insurance Department or State Health Insurance Assistance Program (see **pages 85–86**).

Plan K	Plan L
Basic Benefits (see page 19)	Basic Benefits (see page 19)
Skilled Nursing Facility Coinsurance (50%)	Skilled Nursing Facility Coinsurance (75%)
Medicare Part A Deductible (50%)	Medicare Part A Deductible (75%)

### Important Notes

- You will have to pay part of the cost-sharing of some covered services until you meet the annual out-of-pocket limit. Plan K has a \$4,000 out-of-pocket limit. Plan L has a \$2,000 out-of-pocket limit. Once you meet the annual limit, the plan pays 100% of the Medicare copayments, coinsurance, and deductibles for the rest of the calendar year. These amounts can change each year.
- For details about the Medigap policy extra benefits listed in the chart (Skilled Nursing Facility Coinsurance and Medicare Part A Deductible), see **page 48**.

## Section 3: What You Need to Know About Medigap Policies

### How much do Medigap policies cost?

The cost of Medigap policies can vary widely. **There can be big differences in the premiums that insurance companies charge for exactly the same coverage.** As you shop for a Medigap policy, be sure you are comparing the same Medigap policy (for example, compare a Plan A from one company with Plan A from another company). Although this Guide **can't** give actual costs of Medigap policies, you can get this information by calling insurance companies, or by visiting [www.medicare.gov](http://www.medicare.gov) on the web. Select “Search Tools” at the top of the page. See page 49 for more details. Or, you can call your State Health Insurance Assistance Program (see pages 85–86).

### How do insurance companies set the price of Medigap policies?

Each insurance company sets its own premiums. It is important to ask how an insurance company prices Medigap policies. How they set the price affects how much you pay now and in the future.

Medigap policies can be priced or “rated” in three ways:

1. Community-rated (or “no-age-rated”)
2. Issue-age-rated
3. Attained-age-rated

Each of these ways of pricing policies is described in the chart on the next page. Monthly premiums may vary by insurance company and by Medigap policy. The amounts in the examples **aren't** actual costs. Only you can choose the insurance company that best meets your needs. Remember, you should look at how much the policy will cost you now and in the future.



## Section 3: What You Need to Know About Medigap Policies

How Insurance Companies set prices for Medigap Policies			
Type of pricing	How it's priced	What pricing may mean for you	Examples
<b>Community-rated (also called no-age-rated)</b>	The same monthly premium is charged to everyone who has the Medigap policy, regardless of age.	Premiums are the same no matter how old you are, and won't change except for inflation.	Mr. Smith is 65. He buys a Medigap policy and pays a \$165 monthly premium.
			Mrs. Perez is 72. She buys the same Medigap policy as Mr. Smith. She also pays a \$165 monthly premium because with this type of policy, everyone pays the same price, regardless of age.
<b>Issue-age-rated</b>	The premium is based on the age you are when you buy (are "issued") the Medigap policy.	Premiums are lower for younger buyers, and won't change except for inflation.	Mr. Han is 65. He buys a Medigap policy and pays a \$145 monthly premium.
			Mrs. Wright is 72. She buys the same Medigap policy as Mr. Han. Since she is older at the time she buys it, her monthly premium is \$175.
<b>Attained-age-rated</b>	The premium is based on your current age (the age you have "attained") so your premium goes up each year.	Premiums for these Medigap policies are low for younger buyers, but go up every year and can eventually become the most expensive. They may also go up because of inflation.	<p>Mrs. Anderson buys a Medigap policy at age 65. She pays a \$165 monthly premium. Her premium will go up every year.</p> <ul style="list-style-type: none"> <li>At age 66, her premium goes up to \$171</li> <li>At age 67, her premium goes up to \$177</li> <li>At age 72, her premium goes up to \$189</li> </ul>
			<p>Mr. Dodd buys his Medigap policy at age 72. He pays a \$175 monthly premium. His premium is higher than Mrs. Anderson's because it is based on his current age. Mr. Dodd's premium will go up every year.</p> <ul style="list-style-type: none"> <li>At age 73, his premium goes up to \$185</li> <li>At age 74, his premium goes up to \$190</li> </ul>

**Note:** Look at page 32 if you are thinking about switching Medigap policies to save money.

## Section 3: What You Need to Know About Medigap Policies

### Are there factors other than age that may affect the cost of my Medigap policy?

Yes. The cost of your Medigap policy may be affected

Words in green are defined on pages 88–91.

- **By Discounts:** Insurance companies may offer discounts to females, non-smokers, and/or married people.
- **By Medical Underwriting:** Some insurance companies may use medical underwriting. This means that you must answer medical questions on an application. Fill the application out carefully and completely. The insurance company uses this information to decide whether to sell you a Medigap policy, how much they will charge you, and whether you will have to wait for coverage to start. Some companies may add a waiting period for pre-existing conditions if your state law allows (see page 29).

Insurance companies can't use medical underwriting if you are in your Medigap open enrollment period (see pages 26–28) or if you have special rights (called Medigap protections) to buy a Medigap policy (see pages 54–63).

- **If you buy a high-deductible option:** Insurance companies may offer a “high-deductible option” on Medigap Plans F and J (see chart on page 20). If you choose this option, you must pay the first \$1,730 (the deductible in 2005) in Medigap-covered costs before the Medigap policy pays anything. This amount can change each year.

High-deductible policies often have lower premiums, but if you need a lot of Medicare-covered health care services, supplies, and equipment, your out-of-pocket costs will be higher, and you may not be able to change to another Medigap policy.

In addition to the \$1,730 (in 2005) deductible that you must pay for the high-deductible option for Plans F and J, you must **also** pay deductibles for

- Prescription drugs (\$250 per year for Plan J only, because Plan F doesn't cover prescription drugs), and
- Foreign travel emergency (\$250 per year for Plans F and J).



## Section 3: What You Need to Know About Medigap Policies

Are there factors other than age that may affect the cost of my Medigap policy? (continued)

Words in green are defined on pages 88–91.

- **If you buy a Medicare SELECT policy:** Medicare SELECT is a type of Medigap policy sold by some insurance companies in some states. If you buy a Medicare SELECT policy, you are buying one of the 12 standardized Medigap Plans A through L. Medicare SELECT policies require you to use specific hospitals and, in some cases, specific doctors to get full insurance benefits (except in an emergency). Generally, Medicare SELECT policies cost less than other Medigap policies.

If you have a Medicare SELECT policy and you don't use a Medicare SELECT hospital or doctor for non-emergency services, your costs will be higher. You will have to pay some or all of what Medicare doesn't pay. Medicare will pay its share of approved charges no matter which hospital or doctor you choose.

## Section 3: What You Need to Know About Medigap Policies

### When is the best time to buy a Medigap policy?

The best time to buy a Medigap policy is during your Medigap open enrollment period.

Your Medigap open enrollment period lasts for six months. It starts on the first day of the month in which you are both

- age 65 or older, **and**
- enrolled in Medicare Part B.

Once your six-month Medigap open enrollment period starts, it can't be changed.

During this period, an insurance company can't

- deny you any Medigap policy it sells,
- make you wait for coverage to start, or
- charge you more for a policy because of your health problems.

If you buy a Medigap policy during your Medigap open enrollment period, in many cases the insurance company must shorten the waiting period for pre-existing conditions (see page 29) if you had recent health coverage. This is called "creditable coverage" (see page 30).

If you are eligible for Medicare because you're disabled or have End-Stage Renal Disease (ESRD), see pages 65–68.

**Note:** You may want to apply for a Medigap policy before your Medigap open enrollment period starts if you are losing coverage because you are eligible for Medicare. This will allow you to have continuous coverage.

### How can I tell if I'm in my Medigap open enrollment period?

You can tell if you are in your Medigap open enrollment period by looking at your red, white, and blue Medicare card (see sample card on the next page). The lower right corner of this card shows the dates that your Medicare Part A and Part B coverage started. If you are age 65 or older, add six months to the date that your Medicare Part B coverage starts. If that date is in the future, you are still in your Medigap open enrollment period. If that date is in the past, you have missed your Medigap open enrollment period (see example on the next page).

Words in green are defined on pages 88–91.



## Section 3: What You Need to Know About Medigap Policies

MEDICARE		HEALTH INSURANCE	
1-800-MEDICARE (1-800-633-4227)			
NAME OF BENEFICIARY <b>JANE DOE</b>			
MEDICARE CLAIM NUMBER <b>000-00-0000-A</b>		SEX <b>FEMALE</b>	
IS ENTITLED TO <b>HOSPITAL (PART A)</b>		EFFECTIVE DATE <b>07-01-1986</b>	
<b>MEDICAL (PART B)</b>		<b>07-01-1986</b>	
SIGN HERE		<i>Jane Doe</i>	

**Note:** There are earlier versions of this card that are slightly different. They are still valid.

### Example: Medigap Open Enrollment Period

It is October 1, 2005, and Mr. Rodriguez (age 65) wants to buy a Medigap policy. He needs to know if he is in his Medigap open enrollment period. He looks at his Medicare card. His Medicare Part B coverage started August 1, 2005. To figure out if he is in his open enrollment period, he must add six months to his Medicare Part B start date and see if it is before or after the current date.

August 1, 2005 + six months = February 1, 2006

Since it is October 1, 2005, he is still in his open enrollment period. Mr. Rodriguez has until January 31, 2006, to buy a Medigap policy during his Medigap open enrollment period.

Although Mr. Rodriguez has until January 31, 2006 to buy a Medigap policy, he won't be able to buy a Medigap policy with prescription drug coverage after December 31, 2005.

### What if I missed my Medigap open enrollment period?

If you apply for a Medigap policy after your open enrollment period has ended, the Medigap insurance company is allowed to use medical underwriting (see page 24) to decide whether to accept your application, and how much to charge you for the policy. If you are in good health, the insurance company is likely to sell you the policy, but there is no guarantee that they will (unless you become eligible for one of the Medigap protections listed on page 55). Remember, not all insurance companies use medical underwriting.

## Section 3: What You Need to Know About Medigap Policies

### **I am over age 65 and still working (or covered under my spouse's health plan). Should I enroll in Medicare Part B and start my Medigap open enrollment period?**

If you or your spouse is working and have group health coverage through an employer or union, **your Medigap open enrollment period won't start until you sign up for Medicare Part B.**

So you may want to wait to enroll in Medicare Part B. Remember, once you're age 65 or older **and** enrolled in Medicare Part B, your Medigap open enrollment period starts and can't be changed.

However, if your employer group health plan only pays after Medicare pays, your plan can require you to enroll in Medicare Part B in order to get benefits under that plan.

### **Important information about enrolling in Medicare Part B**

If you don't enroll in Medicare Part B when you are first eligible or after you drop employer coverage, you may have to pay a higher monthly premium. You will have to pay this extra amount as long as you have Medicare Part B.

There are three times when you can enroll in Medicare Part B. These are called:

1. Initial Enrollment Period
2. General Enrollment Period
3. Special Enrollment Period

It's very important to learn about these enrollment periods.

For more information about these enrollment periods, get a free copy of "Enrolling in Medicare" (CMS Pub. No. 11036) at [www.medicare.gov](http://www.medicare.gov) on the web. Select "Search Tools" at the top of the page. Or, call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.



## Section 3: What You Need to Know About Medigap Policies

### Pre-existing conditions

#### What is a pre-existing condition?

A pre-existing condition is a health problem you had before the date a new insurance policy starts.

Words in green are defined on pages 88–91.

#### Will my pre-existing condition be covered if I buy a Medigap policy?

It depends. In some cases, if you have a health problem before your Medigap policy started, a Medigap insurance company can refuse to cover that health problem for up to six months. This is called a “pre-existing condition waiting period.” The insurance company can only use this kind of waiting period if your health problem was **diagnosed** or **treated** during the six months before the Medigap policy started. This means that the insurance company can’t make you wait for coverage of your condition just because it thinks you should have known to see a doctor.

- **During your Medigap open enrollment period**

If you buy a Medigap policy during your Medigap open enrollment period, and you had at least six months of previous health coverage that qualifies as “creditable coverage” (see page 30), the company can’t apply a pre-existing condition waiting period to you. If you had less than six months of creditable coverage, this waiting period will be reduced by the number of months of creditable coverage you had.

- **When you have special Medigap protections (Guaranteed Issue Rights)**

If you buy a Medigap policy when you have special Medigap protections (also called guaranteed issue rights), the insurance company can’t use a pre-existing condition waiting period. For more information about Medigap protections, see pages 54–63.

If you want to know if you will have a pre-existing condition waiting period if you switch Medigap policies, see page 32.

## Section 3: What You Need to Know About Medigap Policies

### Creditable coverage

#### What is creditable coverage?

Creditable coverage (for Medigap policies) is generally any other health coverage you had before you apply for a Medigap policy.

These types of health care coverage may count as creditable coverage for Medigap policies:

- A group health plan (like an employer or union plan)
- A health insurance policy
- Medicare Part A or Medicare Part B
- Medicaid (see pages 74–75)
- A medical program of the Indian Health Service or tribal organization
- A state health benefits risk pool (sometimes called a state high risk pool)
- TRICARE (the health care program for military dependents and retirees, see page 76)
- A Federal Employees Health Benefit plan
- A public health plan
- A health plan under the Peace Corps Act
- COBRA (see pages 71–72)

**Important:** Whether you had creditable coverage depends on whether you had any “breaks in coverage”—when you were without any of these kinds of health coverage for more than 63 days in a row. You can only count creditable coverage that you had after that break in coverage. If you have had one or more breaks in coverage, but each break was shorter than 63 days, then you can add the periods of coverage together. This will count towards your creditable coverage.

The following doesn’t count as creditable coverage:

- Hospital indemnity insurance
- Specified disease insurance (like cancer insurance)
- Vision or dental policies
- Long-term care policies



## Section 3: What You Need to Know About Medigap Policies

### What is creditable coverage? (continued)

#### **Example: Creditable Coverage**

Mr. Smith is 65 and is being treated for heart disease. His Medicare Part A and Part B started November 1, 2004. Before this date, he had no health insurance coverage.

On March 1, 2005, Mr. Smith buys a Medigap policy. His Medigap insurance company refuses to cover his heart disease condition for six months (the pre-existing condition waiting period). However, since Mr. Smith had Medicare Part A and Part B from November 1 to March 1, the insurance company must use his four months of Medicare coverage as creditable coverage to shorten this six-month waiting period.

Now his waiting period will only be two months instead of six months. During these two months, after Medicare pays its share, Mr. Smith will have to pay the rest of the costs for the care of his heart disease. He will also have to pay his Medigap premiums. The Medigap policy will pay for other covered care.

## Section 3: What You Need to Know About Medigap Policies

### Switching Medigap policies

#### What if I have an old Medigap policy and I want to switch to a different Medigap policy?

Words in green are defined on pages 88–91.

You may not have a guaranteed right to switch Medigap policies. But, if you are given the opportunity, make sure you compare benefits and premiums before switching policies. If you bought your Medigap policy before 1992, it may offer better coverage than a newer policy. On the other hand, older Medigap policies may have bigger premium increases than newer standardized Medigap policies currently being sold.

If you decide to switch, don't cancel your first Medigap policy until you have decided to keep the second Medigap policy. You have 30 days to decide if you want to keep the new Medigap policy. This is called your "free look" period. The 30-day free look period starts when your Medigap policy is issued to you.

#### Do I have to switch Medigap policies if I have an older Medigap policy?

No. If you have an older Medigap policy that you bought before 1992, you can **generally** keep it. You don't have to switch to one of the standardized Medigap policies. But, if you decide to buy a newer Medigap policy, you won't be able to go back to your old Medigap policy.

#### Do I have to wait a certain length of time before I can switch to a different Medigap policy?

No, but your new Medigap policy might not cover all your pre-existing conditions if you've had your current Medigap policy for less than six months. However, the amount of time you've had your current Medigap policy must count towards the amount of time you must wait before your new policy covers your pre-existing condition.

If the new Medigap policy has a benefit that wasn't in your old policy, the company can make you wait up to six months before covering you for that benefit.



## Section 3: What You Need to Know About Medigap Policies

### Losing Medigap coverage

#### Can my Medigap insurance company drop me?

In most cases, no. If you bought your Medigap policy **after 1990**, the policy is guaranteed renewable. This means your insurance company can drop you only if

- you stop paying your premium,
- you aren't truthful about something under the policy, or
- the insurance company goes bankrupt.

For more information, see Medigap Protections, **Situation #6** on page 60.

Insurance companies in some states may be able to drop you if you bought your policy **before 1990**. For an insurance company to refuse to renew one of these older Medigap policies, the company must get the state's approval. If this happens, you have the right to buy another Medigap policy (see Medigap Protections, **Situation #6** on page 60).

Words in green  
are defined on  
pages 88–91.

## Section 3: What You Need to Know About Medigap Policies

### How your bills get paid

#### Does the Medigap insurance company pay my doctor directly?

Most Medigap insurance companies get information about your bills directly from Medicare.

Words in green are defined on pages 88–91.

However, if your Medigap insurance company doesn't have this service, ask your doctors if they accept "assignment" for their Medicare patients. If your doctor does accept assignment, then ask their staff to put on the Medicare claim form that you want Medigap insurance benefits paid to the doctor. You will need to sign the claim form or have your doctor keep your signature on record. Make sure this information is correct.

When these conditions are met, Medicare will process the claim and send it to your Medigap insurance company. Your Medigap insurance company will pay your doctor directly and then send you a notice. If you don't get this notice, you may ask for it from your Medigap insurance company.

If the Medigap insurance company doesn't pay your doctor directly, you should report this to your State Insurance Department (see pages 85–86). For more information on Medigap claim filing by Medicare, call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.



## Section 3: What You Need to Know About Medigap Policies

### Watch out for illegal insurance practices

It is illegal for anyone to

- pressure you into buying a Medigap policy, or lie or mislead you to switch from one company or policy to another.
- sell you a second Medigap policy when they know that you already have one, unless you tell the insurance company in writing that you plan to cancel your existing Medigap policy.
- sell you a Medigap policy if they know you have Medicaid, except in certain situations (see page 75).
- sell you a Medigap policy if they know you are in a Medicare Advantage Plan.
- claim that a Medigap policy is part of the Medicare Program or any other Federal program. Remember, Medigap is private health insurance.
- sell you a Medigap policy that can't legally be sold in your state. Check with your State Insurance Department (see pages 85–86) to make sure that the Medigap plan you are interested in can be sold in your state.
- sell you a Medigap policy with prescription drug coverage after December 31, 2005.
- misuse the names, letters, or symbols of the U. S. Department of Health and Human Services (HHS), Social Security Administration (SSA), Centers for Medicare & Medicaid Services (CMS), or any of their various programs like Medicare. (For example, suggesting the Medigap policy has been approved or recommended by the Federal government.)
- claim to be a Medicare representative.

If you believe that a Federal law has been broken, call the Inspector General's hotline at 1-800-HHS-TIPS (1-800-447-8477). In most cases, however, your State Insurance Department can help you with insurance-related problems (see pages 85–86).

## Section 3: What You Need to Know About Medigap Policies

### Ways to check if an insurance company is reliable

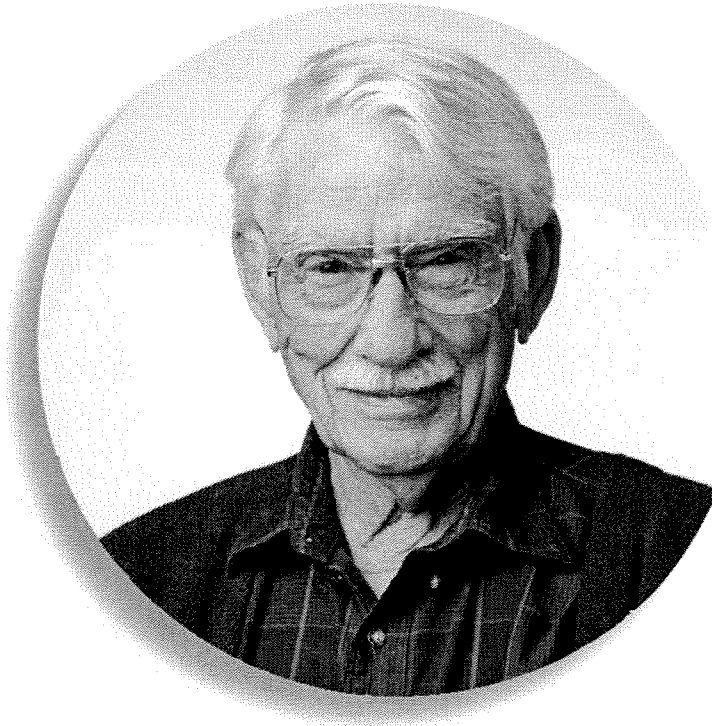
To help you find out if an insurance company is reliable, you can take the following actions:

Words in green are defined on pages 88–91.

- Call the State Insurance Department in your state (see pages 85–86). Ask if they keep a record of complaints against insurance companies and ask whether these can be shared with you.
- Call the State Health Insurance Assistance Program in your state (see pages 85–86). These programs can give you free help with choosing a Medigap policy.
- Go to your local public library. Your local public library can help you
  - get information on an insurance company's financial strength by independent rating services such as, Weiss Rating, Inc., A.M. Best, and Standard & Poors, and
  - look at information on the web.
- Talk to someone you trust, like a family member, your insurance agent, or a friend who has a Medigap policy.



*section* **4**



# **Prescription Drug Coverage Overview**

This section explains new Medicare prescription drug plans and changes to Medigap policies with prescription drug coverage.